

sf

file:
Chrono?

12 August 1985

Memo For: Acting Chief/NAD
Acting Chief/CHD
Acting Chief/SEA

25X1

From:

25X1

Subject: Support to the White House: President Nixon's Trip to Far East

[redacted] the Ops Center, calling on behalf of the NSC, asked this morning that we prepare one-page issue reviews and one-page fact sheets as abckground briefing material for former President Nixon's upcoming tour of the Far East.

25X1

Countries to be covered: China
Japan
South Korea
Hong Kong
Singapore
Thailand
Burma

Due to D/OEA: close-of-business Tuesday

Format: single-spaced typed, one page each for "issues" sheet and fact-sheet, in briefing style, ie, topic sentences and indented bullets. Fact sheet should include political and economic info only, to include basic data drawn from "CIA Fact Book" on political parties, names of key officials, GNP, population, US aid, etc etc.

25X1

Any questions: please call [redacted]

25X1

SECRET

JAPAN FACT SHEET

Population: 120,691,000 (July 1985), average annual growth rate 0.6%.

GNP: \$1,190 billion (1984), \$9860 per capita income, real growth 5.7%; projected real growth rate 4.8% for 1985.

Unemployment: 2.5%; Inflation: 2.4%.

Foreign Trade: Exports: \$168 billion (36% US)
Imports: 124 billion (22% US)
Trade Surplus: 44 billion (\$33 billion with US)
Current Account: 35 billion (\$31 billion with US)

Budget: \$210 billion (FY 1985); deficit \$48 billion (4% of GNP).

Aid Committed: \$4.3 billion ODA (JFY 1985); preliminary discussions indicate aid may increase 10% next year.

Military Spending: \$12.5 billion (FY 1985), up 6.9 % over JFY 1984; will probably edge over 1%-of-GNP barrier sometime this year.

<u>Political Parties</u> :	<u>Party</u>	<u>Leader</u>	<u>Seats</u>
Governing:	Liberal Democrats	Nakasone	263
	New Liberal Club	Kono	8
Opposition:	Socialists	Ishibashi	112
	Komeito	Takeiri	59
	Democratic Socialists	Tsukamoto	38
	Communists	Miyamoto	24

LDP Power Balance:

--Nakasone Faction (66 members): Prime Minister Nakasone's term as Party President expires October 1986; has highest popularity rating in recent history; may hope to change party rules to run for third term.

--Tanaka Faction (124 members): so-called kingmaker Tanaka still in poor condition following stroke in February. Finance Minister Takeshita ahead of Party Vice President Nikaido in succession contest.

--Suzuki Faction (80 members): Party Executive Council Chairman Miyazawa dark horse candidate to succeed Nakasone.

--Fukuda Faction (73 members): Foreign Minister Abe leading candidate to become next prime minister.

--Komoto Faction (35 members): likely to disintegrate; Komoto has just resigned cabinet post due to bankruptcy of steamship company.

Page Denied

JAPAN: ISSUES

Tokyo remains committed to reducing the government debt, estimated at \$540 billion. Nakasone, therefore, wants to:

- Maintain budgetary austerity and force deficit reduction.
- Privatize public corporations.
- Avoid resorting to fiscal measures to stimulate domestic demand.

Relying on exports to fuel economic growth has created tension in Japan's relations with most of its trading partners, especially with the United States. To head off US protectionism, Nakasone has:

- Agreed in the May 1984 yen/dollar accord to liberalize financial markets.
- Cooperated with Washington's Market Oriented Sector Specific (MOSS) approach to open markets in telecommunications, pharmaceutical/medical goods, electronics, and forest products.
- Pushed through the July action program which reduced tariffs and eased standards and certification procedures.

None of these measures is likely to make a big dent in the trade surplus, at least in the near term. To placate its trade partners, Japan has relaxed budget discipline to permit expansion of defense and foreign aid.

Under the leadership of Prime Minister Nakasone, Japan has become more confident and assertive. Although the US-Japan relationship remains the cornerstone of Japan's foreign policy, Tokyo is increasingly willing to pursue its own interests.

- Despite Nakasone's interest in promoting dialogue with Moscow, his support for stronger defenses and alliance with the US suggests Japanese relations with the Soviet Union will remain cool.
- Despite Japan's trade surplus with China, Nakasone's trip to Beijing last year and the ministerial meeting last month showed the importance Tokyo attaches to their relationship.
- Although Japan is trying to expand ties to Europe, the Europeans are becoming increasingly critical of Japanese trade practices, and Nakasone's tour of Europe did not ease their concerns.
- Despite Japan's support for South Korea, it is increasing its contacts with the North since the lifting of Rangoon sanctions.
- Criticism from ASEAN has been temporarily defused by the trade package, but demands for access to Japanese markets will grow.
- In an effort to play a role in Mideast peace efforts, Japan last month invited Iran's number two man, Rafsanjani, to Tokyo and sent Foreign Minister Abe visited Syria, Jordan, and Saudi Arabia.

HONG KONG

The December 1984 signing of the Sino-UK accord on Hong Kong's future ushered in a twelve year transitional period during which the territory's political and economic future as a Special Administrative Region of China will be shaped by a number of specialized committees:

- The Joint Liaison Group, comprised of Chinese, British, and Hong Kong Government officials, which will resolve issues of common interest to all parties. First meeting in July confirmed the territory's continued participation in the Asian Development Bank.
- The Joint Land Commission will adjudicate land sales and rentals prior to the territory's reversion to Chinese control in 1997.
- The Basic Law Draft Committee, established by the Chinese government, includes 24 Hong Kong citizens. The committee will draft the "basic law" that will govern Hong Kong for fifty years beyond 1997.

At the same time, the Hong Kong government has embarked on a course of "democratizing" the territory's political scene.

- In March 1985 the first "popular" elections for District Board members took place.
- This fall voters will indirectly elect members to the Legislative Council, whose members had previously been appointed by the Hong Kong Governor.
- The government hopes to introduce direct elections to the territory's top legislative bodies by 1987.
- Nascent political parties are forming, most notably the Progressive Hong Kong Society under the leadership of Legislative Councilor Maria Tam.

25X1

the local Xinhua news agency--Beijing's unofficial representative in the territory--is monitoring individuals it believes are unsympathetic to Beijing's interests.

25X1

After a bad year in 1984, the Hong Kong economy has rebounded. The stock market reached its highest ever levels earlier this year, and investor confidence in the territory's economic viability has been restored.

- The Hong Kong Government nonetheless remains concerned over the effects US restrictions on trade may have on the local textile industry.
- Handling of the failure of the Overseas Trust Bank by monetary authorities has created some concern about growing intervention of the government in Hong Kong's freewheeling economy.

SECRET

CONFIDENTIAL

FACT SHEET HONG KONG

PEOPLE

Population: 5,491,000 (July 1985), average annual growth rate 1.6%
Labor Force: (June 1984) 2.52 million; 37.3% manufacturing; 22.1% commerce; 18.4% services; 7.6% construction; 7.6% transport and real estate; 1.2% agriculture, fishing, mining, and quarrying; 0.4% other; unemployment (seasonally adjusted) 3.6%

GOVERNMENT

Type: British dependent territory; scheduled to revert to Chinese control in 1997.

Legal System: English common law

Branches:

- Executive Council, which advises the governor and legislates with advice and consent of Legislative Council; composed of governor, five senior officials, and 12 unofficial members
- Legislative Council, which is composed of governor, three exofficio members, and 27 unofficial members
- Urban Council, which includes elected representatives is responsible for health, recreation and resettlement
- Independent judiciary

LEADERS

Hong Kong Government:

- Sir Edward Youde, Governor and Commander in Chief
- Sir David Akers-Jones, Chief Secretary
- Sir John Bremridge, Financial Secretary
- Mr. Eric Ho, Secretary Trade and Industry
- Mr. John D.I. Boyd, Political Advisor

Local Chinese Representatives:

- Xu Jiatun, Director, Xinhua New Agency
- Li Chuwen, Vice Director, Xinhua News Agency

POLITICAL GROUPS

Communists: an estimated 3,000 cadre affiliated with Communist Party of China. Beijing has publicly announced that active recruitment will rise over the next 12 years

- Federation of Trade Unions and Hong Kong General Chamber of Commerce are Communist controlled

Other:

- Hong Kong and Kowloon Trade Union Council (Taiwan (backed))
- Federation of Hong Kong Industries
- Chinese Manufacturers' Association of Hong Kong

CONOMY

GDP: (1984) \$31.* billion, \$5,830 per capita; real growth 9.6%

Exports: \$28.3 billion (f.o.b., 1984), including 10.6 billion reexports; principal products--clothing, plastic articles, textiles, electrical goods, wigs, footwear, light metal manufactures

Imports: \$28.6 billion (c.i.f., 1984)

Major trade partners: (1984) domestic exports--44% US, 8% China, 8% UK, 7% FRG; imports--25% China, 24% Japan, 11% US

Government Consumption Expenditures: (1984) \$2.4 billion

Major Industries: textiles and clothing, tourism, electronics plastics, toys, watches, clocks

SOUTH KOREA: FACT SHEET

Official Name: Republic of Korea.

Population: 42,643,000 (July 1985), average growth rate 1.5%.

GNP: \$81.1 billion (1984), \$1998 per capita, real growth 7.5%;
projection for 1985: 6.3%.

Unemployment: 3.8% (1984); Inflation: 4.0%.

Major Industries: textiles and apparel, electronics, chemicals, steel,
ship building.

Exports (1984): \$29.2 billion (36% US, 16% Japan).

Imports (1984): \$30.6 billion (23% US, 25% Japan).

Foreign Debt (1984): \$44 billion.

Aid Received:

-- Economic: US(FY 46-85), \$11.2 billion; Japan (1965-75) \$1.8
billion; other western aid, ODA, and OOF(1980-81), \$1.1 billion.

-- Military: US(FY 46-83), \$8.1 billion.

Central Government Budget (1985): \$13.2 billion; defense 33%.

Government Leaders: CHUN Doo Hwan, President (since August 1980); LHO
Shinyong, Prime Minister (since February 1985).

Elections: Under new constitution of October 1980:

-- President elected indirectly for seven-year term by a 5000-man
electoral college; last election February 1981.

-- National Assembly elected for four-year term consists of 276
representatives, 184 directly elected and 92 chosen
through proportional representation; last election February 1985.

Political Parties:

<u>Party</u>	<u>Leader</u>	<u>Assembly Seats</u>
Democratic Justice Party (ruling)	Chun Doo Hwan, president	148
	Rho Tae Woo, chairman	
New Korea Democratic Party	Lee Min-woo, president	102
Korean National Party	Lee Man-sup, president	21
Democratic Korea Party	Chong Yun-Hyong, president	5

SOUTH KOREA: MAJOR ISSUES

President Chun Doo Hwan has retreated from political liberalization and is adopting hardline tactics that could provoke a backlash.

- Chun is increasingly falling under the influence of hardliners among his personal advisors.
- Student dissidents are being branded pro-communist and some are being charged under national security laws. The President is pushing a campus stabilization law that includes re-education camps for convicted dissident students.
- The emergence of a potent opposition party in last February's parliamentary elections -- the New Korea Democratic Party -- has turned the National Assembly into a forum for heated debates on sensitive political issues.

President Chun is trying to bolster his image at home by promoting a statesmanlike image.

- Seoul is engaging P'yongyang in a multi-channel dialogue. Agreements in principle have been reached regarding reunions of separated families and formation of an economic cooperation committee; a joint team for the Seoul 1988 Olympics is being discussed. We remain skeptical, however, about any early breakthroughs.
- Chun plans to speak at the UN General Assembly meeting this fall and seeks a public meeting with President Reagan at that time. Perceived United States support for Chun, however, has spurred nascent anti-Americanism among some intellectuals.

The recent improvement in North Korea's relations with the Soviet Union represents, we believe, a tactical adjustment in the P'yongyang-Moscow-Beijing triangle.

- Recent Soviet military deliveries -- including Mig-23s -- will not destabilize the military balance on the peninsula.
- They will, however, prompt Seoul to press for closer military ties to Washington.

Sluggish economic growth has prompted Seoul to loosen its austere monetary and fiscal policies in order to spur growth.

- Government estimates of real 1985 GNP growth have been revised downward to 6.3% from 7.5%, due to a slump in exports -- 5 to 6% growth is likely.
- Washington is pressing Seoul to accelerate market opening measures that are strongly resisted by Korean businessmen and conservative economic policymakers. Seoul is also concerned about possible US restrictions on footwear and textiles.

25X1

[REDACTED]

Thailand: Political and Economic Developments

Prime Minister Prem Tinsulanonda is approaching the halfway mark of his second term in a strong political position:

--Appointed in 1980, the retired general has now remained in office longer than any previous civilian head of government.

--Prem has benefited from the Thai economy's generally good performance during the past several years and from the support of senior military officers and the monarchy. [REDACTED]

25X1

In the meantime, however, the Bangkok political pot continues to simmer. Party politics and military restiveness will periodically increase tensions:

--Quarrels within the ruling coalition may prompt Prem to reshuffle his cabinet later this year. Nonetheless, dissidents in the ruling parties probably are not powerful enough to threaten government stability.

--[REDACTED]

25X1

Prem probably can continue to outmaneuver his opponents. [REDACTED]

25X1

On the economic front, Prem is implementing a package of reforms and belt-tightening measures to boost exports and ease recent balance of payments problems. Despite a good overall economic performance, Thailand's balance of payments deteriorated sharply in 1983 and has improved only modestly since then--largely due to slower import growth. Moreover, Bangkok is concerned by its rising foreign debt obligations and committed to maintaining its good international credit rating. Political considerations, however, will limit Prem's ability to make reforms:

--Austerity measures must be handled carefully to avoid provoking the military, the opposition, and labor groups.

--Structural reforms--designed to improve the efficiency of the domestic economy and increase competitiveness of Thai exports over the longer term--may undermine the vested interests of labor unions and politicians. [REDACTED]

25X1

As a result, economic growth will slow this year to about 5 percent while inflation will increase moderately. However, we expect Prem's solid power base and his rising political confidence to enable him to weather these difficulties. Barring an unforeseen recurrence of the health problems that plagued him last fall, Prem appears likely to remain in office at least one more year. [REDACTED]

25X1

[REDACTED]

25X1

25X1

Fact Sheet--THAILAND

People

Population: 51,724,000, average annual growth rate 1.9 percent

Ethnic divisions: 75 percent Thai, 14 percent Chinese, 11 percent other

Religion: 95.5 percent Buddhist, 4 percent Muslim, 0.5 percent other

Government

Official name: Kingdom of Thailand

Type: Constitutional monarchy

Branches: King is head of state with nominal powers; bicameral legislature (National Assembly--Senate appointed by King, elected House of Representatives); judiciary relatively independent except in important political subversive cases

Government leaders: King BHUMIBOL Adulyadej, Prime Minister PREM Tinsulanonda, Foreign Minister SIDDHI Savetsila

Major political parties: Social Action Party, Democrat Party, National Democracy Party, Thai Citizens Party, all coalition members; Thai Nation Party, major opposition party

Communists: two weak insurgencies, nationwide probably total less than 2,000

Economy

GNP: \$40.6 billion, \$806 per capita; 5.5 percent real growth in 1984

Agriculture: accounts for 67 percent of total employment and about 23 percent of GDP; main crops--rice, sugar, corn, rubber, tapioca

Major industries: agricultural processing, textiles and garments integrated circuits

Exports: \$7.4 billion; agricultural commodities, textile products, integrated circuits

Imports: \$10.3 billion; machinery and transport equipment, fuels and lubricants, base metals, chemicals, and fertilizer

US Aid: \$580 million (FY70-83), including Ex-Im; military commitments, \$966 million (1970-83)

25X1

Singapore Fact Sheet

People

Population: 2,531,000 (July 1984), average annual growth rate 1.2%

Ethnic divisions: 76.7% Chinese, 14.7% Malay, 6.4% Indian, 2.2% other

Religion: majority of Chinese are Buddhists or atheists; Malays nearly all Muslim; minorities include Christians, Hindus, Sikhs, Taoists, Confucianists

Government

Official name: Republic of Singapore

Type: republic within Commonwealth

Branches: ceremonial President; executive power exercised by Prime Minister and Cabinet responsible to unicameral legislature (Parliament)

Government leaders: YEOH Ghim Seng, acting President; LEE Kuan Yew, Prime Minister

Political parties: government--People's Action Party (PAP) holds 77 of 79 seats in Parliament; opposition--Workers' Party (WP), 1 seat; Singapore Democratic Party (SDP), 1 seat; Barisan Sosialis (BS); United People's Front (UPF)

Communists: 200-500; Barisan Sosialis infiltrated by Communists

Economy

GDP: \$17.9 billion (1984); \$6,500 per capita GNP; 8.2 percent real growth 1984; projected real growth for 1985 down to 2 or 3 percent

Major industries: petroleum refining and oil drilling equipment, electronics and computer peripherals, food and beverage processing, rubber processing and rubber products, ship building and repair, entrepot trade, financial and information services

Exports: \$27.7 billion; mineral fuels, machinery and transport equipment, manufactured goods--especially electronic and computer products

Imports: \$23.3 billion; high-technology machinery and transport equipment, raw materials, food, consumer products

UNCLASSIFIED

Singapore Experiences a Rare Period of Decline

Prime Minister **LEE Kuan Yew**'s People's Action Party won only 63 percent of the popular vote in the December 1984 national election--down from 76 percent in 1980--and two opposition parties placed spokesmen in the traditionally single-party Parliament. []

25X1

- Taking their cue from younger Singaporeans--who question the autocratic style of Lee--**J. B. JAYARETNAM**, Workers' Party, and **CHIAM See Tong**, Singapore Democratic Party, have sparked debate over a wide range of issues. []

25X1

Lee has announced that he will retire from politics after the 1988 elections --when he reaches age 65. Most Singaporeans, however, are skeptical. Cabinet is drafting a constitutional amendment to make the ceremonial presidency an elective office and give the president the power to veto spending of reserves accumulated by previous governments. Moving into the presidency would allow Lee to turn over the day-to-day governing to a handpicked successor while retaining substantial control. []

25X1

- Three MPs in their early 40s--**GOH Chok Tong**, First Deputy Prime Minister and Minister of Defense; **ONG Teng Cheong**, Second Deputy Prime Minister and Secretary General of the National Trades Union Congress; and **Tony TAN Keng Yam**, Minister of Education and of Trade and Industry--have survived a decade of leadership testing by Lee and are thought to be in the running to become Prime Minister. []

25X1

- The Prime Minister's son, Brigadier General **LEE Hsien Loong** (Res.), 33, handily won a seat in Parliament in December 1984--after rising to flag rank in the Army in a short 13 years. He holds two junior ministerial posts and may move into Cabinet within a year. As head of the newly created Economic Committee, he is in the spotlight. Many Singaporeans assume he is being groomed to succeed his father. []

25X1

Singapore in 1985 is experiencing the most dramatic economic recession in its 26-year history. Projected 1985 gross domestic product for Singapore is \$18.2 billion, only 2 percent above 1984. []

25X1

- The economy contracted by 1.4 percent in second quarter 1985--manufacturing, petroleum refining, and ship building and repair being hardest hit--reflecting declining US demand for electronics products and computer peripherals, falling world oil prices and the development of refineries in Indonesia and the Middle East, and attempts by Indonesia and Malaysia to develop their own shipping sectors. []

25X1

25X1

- Tourism, retail sales, and construction also are depressed. Unemployment is up sharply, prompting unions to delay pay increases to protect jobs. []

- The government recently has reduced property taxes and shaved fees for its communications, transportation, and real estate services to lower business overhead costs. Businessmen and bankers are unsatisfied, pressing for lower corporate taxes, smaller contributions to the government's retirement scheme, and relaxed central bank regulations on investment loans. []

25X1

25X1

CHINA: Current Domestic Issues

Deng Xiaoping and his allies are pressing forward aggressively on key reforms despite unanticipated problems in implementing their economic program. September's national conference of party delegates, slated to endorse a substantial turnover in the top leadership and lay the groundwork for the 7th Five Year Plan, will be the political event of the year.

The party leadership faces a wide range of pressing domestic issues:

The Economy. Deng's critics have sought to use the shortcomings of reform to slow the pace and scope of change.

- Since early spring, the reformers have implemented market-style adjustments as well as administrative measures to control the inflation, drawdown of foreign exchange reserves, and excessive industrial growth and capital construction caused by reform.
- Partly to defuse the criticism of party old timers, Beijing is taking steps to curb the rising incidence of official corruption.
- Wage and price reforms remain the key to the economic program and are being implemented gradually

Personnel Rejuvenation. Against the rearguard actions of party traditionalists, Deng has accelerated the pace of personnel turnover in key national and provincial posts.

- Since April, 13 new provincial secretaries and 7 provincial governors have been installed. Generally, the new leaders are men and women in their fifties, approximately a decade younger than their predecessors.
- The obstructionist director of party propaganda was fired in July.
- At the September party conference, Deng will attempt to stack the Central Committee by adding some 50 new members from the ranks of younger, pro-reform leaders. Key reformers will also be added to the Politburo and Secretariat.
- Beijing has publicized the "retirement" of approximately 1.1 million officials and wants to reach 2 million by yearend.

Party Reform. A party "rectification" campaign is now in its second of three years. The drive seeks to balance traditional concerns of the party old guard against the requirements of reform.

- Rectification consequently is concentrating on cleaning up official corruption--the bete noir of party veterans--while ensuring a pro-reform membership through careful recruitment--cooptation--of an educated elite and simultaneous purge of politically unreliable members.

The Military. Rejuvenation and streamlining are proceeding in the military as well but remain politically controversial. With a few important exceptions, the military high command has undergone a major shakeup.

- Streamlining and foreign military sales will allow modernization in select areas that depend on access to foreign (largely Western) technology.
- The effect of manpower reductions probably is not as drastic as implied by the announced cut of about 1 million men.

Succession. According to stories circulating in Beijing, Deng ultimately intends party Secretary Hu Qili to succeed General Secretary Hu Yaobang, while Vice Premier Li Peng reportedly will replace Premier Zhao Ziyang.

- Rumors that Deng plans to retire as Military Commission Chairman in favor of Hu Yaobang appear premature in the light of recent propaganda asserting Deng's continuing vigor and mental alertness.

UNCLASSIFIED

CHINA FACTSHEET

Population:

1,041,346,000 (July 1985), average annual growth rate of 0.9%. Labor Force: 447.1 million (December 1983 est.), 74% agriculture, 15% industry and commerce, 11% other.

Government:

Communist state; real authority lies with Communist Party's Politburo; the National People's Congress, in theory the highest organ of government, usually ratifies the party's programs; the State Council actually directs the government. Political subdivisions include 21 provinces, 3 centrally governed municipalities, and 5 autonomous regions.

Government Leaders:

President--Li Xiannian

Vice President--Ulanhu

Premier, State Council--Zhao Ziyang

Vice Premiers, State Council--Li Peng, Tian Jiyun, Wan Li, Yao Yilin

State Councilors, State Council--Chen Muhua, Fang Yi, Gu Mu, Ji Pengfei, Kang Shi'en, Song Ping, Wang Bingqian, Wu Xueqian, Zhang Aiping, Zhang Jingfu

Secretary General--Tian Jiyun

Chmn., Central Military Comn.--Deng Xiaoping

Party Leaders:

Politburo Standing Committee, the main policymaking organ of the party--Hu Yaobang, Ye Jianying, Deng Xiaoping, Chen Yun, Li Xiannian, Zhao Ziyang

Secretariat, in charge of day-to-day administration--Hu Yaobang, Hu Qili, Chen Pixian, Deng Liqun, Gu Mu Wan Li, Xi Zhongxun, Yao Yilin, Yu Qiuli

Economy:

GNP--\$309 billion (1984 est.), \$300 per capita.

Agriculture--main crops are rice, wheat, other grains, oilseeds, cotton

Major Industries--iron, steel, coal, machine building, armaments, textiles, petroleum

Shortages--complex machinery and equipment, highly skilled scientists and technicians, energy, and transport

Exports--\$23.7 billion (f.o.b. 1983); manufactured goods, agricultural products, oil, minerals.

Imports--\$18.3 billion (f.o.b. 1983); grain, chemical fertilizer, steel, industrial raw materials, machinery, equipment.

UNCLASSIFIED

25X1

Burma: Major Political and Economic Issues

The succession question--Burma's most important political issue--was addressed at the Fifth Congress of the Burma Socialist Program Party, held in early August:

--Ne Win retained his position as Party Chairman and de facto leader of Burma. Barring serious health problems, we expect him to hold the reins of power for the foreseeable future.

--President San Yu--Ne Win's longtime confidant--was selected for the newly created post of Party Vice Chairman, firmly establishing him as second in command and the most probable successor to Ne Win.

25X1

Insurgencies remain Burma's major internal security problem--although none of the groups is capable of overthrowing the government. Because the insurgents are heavily involved in narcotics production and trafficking, Rangoon's efforts to crack down on them have included an aerial eradication program, supported by US agencies. Burma nonetheless produces about 90 percent of Southeast Asia's opium.

25X1

In addition to increasing its cooperation with the United States in narcotics control, Burma has stepped up its diplomatic activity with other countries in the past several months. Ne Win recently visited Beijing, where Chinese leaders assured him of decreased support for the Burmese Communist Party. As a result, relations between the two countries have improved.

25X1

Rangoon's most pressing economic problem remains the country's sharp decline in export earnings:

--Rice exports, which provide 40 percent of the country's foreign exchange earnings, may fall to half of last year's levels due to poor quality and high prices.

--Exports of timber, cement, and urea have aggravated domestic shortages and crimped the country's development plans.

--Cuts in imports and foreign borrowing--while necessary to control Burma's mounting debt service ratio--have further limited the economy's growth.

25X1

To boost foreign exchange revenues, Rangoon plans to diversify its exports to higher sales-value crops. In addition, it plans to develop natural gas reserves in the Gulf of Martaban to produce gas, urea, and ammonia for export. With a \$1 billion outlay required, however, Rangoon probably will have to accept foreign participation in the project--which it so far has been unwilling to do.

25X1

Fact Sheet--BURMA**People**

Population: 36,919,000 (July 1985)

Ethnic Divisions: 72% Burman, 7% Karen, 6% Shan, 6% Indian, 3% Chinese, 2% Kachin, 2% Chin, 2% other

Religion: 85% Buddhist, 15% indigenous beliefs, Christian, or other

Government

Official Name: Socialist Republic of the Union of Burma

Type: republic under 1974 constitution

Capital: Rangoon

Political Parties and Leaders: government-sponsored Burma Socialist Program Party only legal party; U NE WIN, party chairman (de facto leader since 1962)

Government Leader: U SAN YU, President and Chairman of Council of State (since November 1981)

Communists: est. 15,000 (primarily as an insurgent group on the northeast frontier)

Other Political or Pressure Groups: Kachin Independence Army; Karen Nationalist Union, several Shan factions (all insurgent groups)

Economy

GDP: \$5.9 billion (1982/83, in current prices), \$166 per capita; real growth rate 6.5% (1982/83)

Agriculture: accounts for 64% of total employment and about 29% of GDP; main crops-paddy, pulses, sugarcane, beans, peanuts; almost 100% self-sufficient

Exports: \$378.9 million (f.o.b., 1983); rice, teak hardwoods, base metals, ores

Imports: \$735.5 million (f.o.b., 1983); machinery and transportation equipment, building materials, oil industry equipment

U.S. Aid (including Ex-Im): \$70 million (FY70-83)